

Message Text

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C O N F I D E N T I A L BRASILIA 051GI

E.O.11652: GDS

TAGS: PFOR, EGEN, ENRG, BR

SUBJECT: SENATOR JAVITS DISCUSSES ENERGY PROBLEMS IN BRASILIA

REF: BRASILIA 0415 (NOTAL)

1. DURING ONE-HOUR CONVERSATION AT MINISTRY OF MINES AND ENERGY SENATOR JAVITS DISCUSSED ENERGY ISSUES WITH MINISTER SHIGEAKI UEKI DURING SENATOR'S VISIT TO BRASILIA JANUARY 7. UEKI OUTLINED FOR SENATOR BACKGROUND OF GOB DECISION TO ENTER RISK CONTRACTS WITH FOREIGN OIL COMPANIES FOR EXPORATION IN BRAZIL. HE STATED THAT HE FAVORED THE DECISION AND HAD LONG ENCOURAGED THE REST OF THE GOVERNMENT AND THE RPRESIDENT, WHO WAS INITIALLY OPPOSED, TO ACCEPT IT. UEKI ADMITTED THAT PUBLIC REACTION TO THE IDEA INITIALLY WAS NEGATIVE, BUT THAT ONCE THE DECISION WAS FIRM, BRAZILIAN PUBLIC OPINION HAS COME TO ACCEPT RISK CONTRACTS AND IS NOW LOOKING FOR PROMPT RESULTS. THEREFORE, HE COONTINUED, IT IS IMPORTANT THAT THE FOREIGN OIL COMPANIES RESPOND TO THIS OPPORTUNITY. UEKI SAID HE HAD BEEN IN TOUCH WITH THEMAJORS AND THERE WS CONSIDERABLE INTEREST, BUT HE HOPED OTHER US COMPANIES WOULD PLAY A ROLE, AND HE ASKED THE SENATOR TO ENCOURAGE HIS CONTACTS IN THE OIL INDUSTRY TO REACT FAVORABLY TO THE BRAZILIAN OPPORTUNITY. THE SENATOR SAID THAT HE THOUGHT BRAZIL WOULD BE BEST SERVED BY A DYNAMIC COMANY, NEITHER TOO BIG OR TOO SMALL, THAT COULD ACT AS AN "ICEBREAKER."

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HE COMMENTED THAT THE INVOLVEMENT OF THE MAJORS SEEMED

ALWAYS TO INTRODUCE WORLD POLITICAL CONSIDERATIONS. ARMAND HAMMER AND OCCIDENTAL WAS MENTIONED, AND THE SENATOR SAID THAT HAMMER WAS ALREADY OVERCONSULTED. THE SENATOR THEN REFERRED TO BELCO, A MIDDLE-SIZED AMERICAN COMPANY WITH PREVIOUS EXPERIENCE IN PERU, AS A POSSIBILITY THAT UEKI MIGHT WANT TO LOOK INTO. CONCERNING A COMMENT BY SENATOR JAVITS ABOUT THE RANGE OF ENERGY ALTERNATIVES THE USG WAS PURSUING, UEKI OBSERVED THAT THE SPECTRUM OF ENERGY ALTERNATIVES IN BRAZIL WAS MUCH LIKE THAT OF THE US AND BRAZIL WAS UNDERTAKING RESEARCH EFFORTS ALONG THE SPECTRUM.

2. TURNING TO NUCLEAR MATTERS SPECIFICALLY JAVITS REITERATED US PUBLIC AND OFFICIAL CONCERN OVER POSSIBLE DANGER THAT FRG-BRAZIL NUCLEAR AGREEMENT WILL PERMIT FURTHER SPREAD OF NUCLEAR TECHNOLOGY WITH MILITARY APPLICATIONS. SENATOR EXPRESSED HOPE THAT BRAZIL WOULD AGREE TO ADEQUATE SAFEGUARDS IN IAEA ORILATERAL. UEKI REVIEWED POLITICAL REASONS FOR BRAZIL'S NON-ADHERENCE TO NPT. HE CHARACTERIZED NPT AS INHERENTLY DISCRIMINATORY IN THAT IT PROVIDES FOR MONITORING OF NUCLEAR RESEARCH AND DEVELOPMENT IN NON-NUCLEAR COUNTRIES WHILE ALLOWING NUCLEAR COUNTRIES FREE REIN. HE SAW THAT AS AN EFFORT TO FREEZE THE STATUS QUO AND PERPETUATE THE SYSTEM. UEKI NOTED THAT NEGOTIATIONS ON THE TRILATERAL SAFEGUARD AGREEMENT WERE GOING AHEAD NORMALLY AND REITERATED THAT HE SAW NO PARTICULAR PROBLEM IN THEM. HE MADE THE GENERAL OBSERVATION, IN REPLY TO THE SENATOR'S COMMENTS ABOUT UNEASINESS IN IMPORTANT CIRCLES ABOUT THE POSSIBILITY OF MILITARY APPLICATIONS IN BRAZIL, THAT ASSURANCES ON THIS SCORE FROM A COUNTRY OF BRAZIL'S WEIGHT AND STATURE (PESO) SHOULD BE SUFFICIENT. TO THIS THE SENATOR RESPONDED THAT, IF THAT CONCEPT WERE TO BE GENERALIZED, THERE WOULD BE NO NEED FOR AN NPT.

3. DISCUSSING BACKGROUND OF ACCORD WITH FRG, UEKI STATED THAT THE GOB DID NOT WANT TO REPEAT IN THE NUCLEAR FIELD THE MISTAKES IT HAD MADE IN THE FIELD OF HYDROELECTRIC TURBINE MANUFACTURE, NOT ONE OF THE 5 OR 6 FOREIGN COMPANIES OPERATING IN BRAZIL COULD MAKE A COMPLETE TURBINE

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SO THAT BRAZIL WAS DEPENDENT ON FOREIGN SUPPLY OF CRITICAL, SOPHISTICATED PARTS. THEREFORE, BRAZIL INTENDED TO HAVE A FULLY NATIONAL NUCLEAR POWER INDUSTRY, WITH NATIONAL TECHNOLOGY. UEKI CLAIMED THAT FRG OFFERED ONLY POSSIBILITY OF AGREEMENT PROVIDING FULL CYCLE OF TECHNOLOGY. GOB, HE CONTINUED, HAD INITIALLY HOPED FOR AGREEMENT WITH AMERICAN FIRM (SIC) AND HAD NEGOTIATED UNSUCCESSFULLY WITH WESTINGHOUSE. BECHTEL HAD ENTERED THE PICTURE SUBSEQUENTLY

BUT HAD TO PULL BACK AS A RESULT OF THE USG POLICY.

4. SENATOR JAVITS, AFTER NOTING HIS SATISFACTION WITH UEKI'S STATEMENT ON THE WORK ON TRILATERAL SAFEGUARDS, SUGGESTED THAT IT WOULD BE IN BRAZIL'S INTEREST TO ALLAY UNEASINESS IN THE US BY GIVING PUBLICITY TO ITS ACCEPTANCE OF SAFEGUARDS. UEKI, IN RESPONSE, SAID THAT THERE WAS A POLITICAL ONUS IN SAFEGUARDS AND THAT IN BRAZIL IT WAS POLITICALLY DIS-ADVANTAGEOUS TO CALL ATTENTION TO THEIR ACCEPTANCE. HE OBSERVED THAT IN THE UNITED STATES AND IN THE US CONGRESS THERE WERE MANY AUTHORITIES WHO KNEW WHAT THE BRAZILIAN ACCEPTANCE OF SAFEGUARDS MEANT AND, IF THERE WERE A NEED TO CALM APPREHENSIONS, THOSE PERSONS COULD TAKE THE NECESSARY STEPS IN THE US ITSELF.
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